

Hermes GPE LLP

MIFIDPRU 8 DISCLOSURE

Reporting Period: 01 January 2023 to 31 December 2023

Based on Financial Data as at 31 December 2023

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1. Overview

1.1 Introduction

Hermes GPE LLP (“HGPE” or “the Firm”) is a specialist investor in global private markets and manages £8.1bn of capital for leading global pension funds and institutional investors. The HGPE platform comprises two distinct businesses, one investing in private equity and the other in infrastructure. Both the private equity and infrastructure businesses are headquartered in London with the private equity business having additional offices in New York and Singapore. There has been no significant change in the LLP’s principal activities during the year.

Federated Hermes, Inc. (“Federated Hermes”), a leading investment manager that is publicly listed on the New York Stock Exchange, is the ultimate parent undertaking of HGPE. Federated Hermes is also the ultimate parent undertaking of Federated Hermes Limited (“FHL”) of which HGPE is a subsidiary. HGPE forms part of the group headed by FHL (the “FHL Group”).

HGPE is authorised and regulated by the Financial Conduct Authority (“FCA”) and is subject to rules made by the FCA (the “FCA Rules”). The FCA Rules require firms to ensure they maintain adequate financial resources and to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems. Those principles are supplemented by detailed requirements, which for HGPE include those under the Investment Firms Prudential Regime (“IFPR”).

1.2 Purpose and Frequency of Disclosure

This IFPR report sets out the disclosures for HGPE as a non-small and non-interconnected (‘Non-SNI’) MIFIDPRU investment firm based on financial data as of 31 December 2023. Unless otherwise stated, the financial information and related disclosures are based on financial data as at, and for the year ending, 31 December 2023 and on the Internal Capital Adequacy and Risk Assessment (“ICARA”) based on that data, which was finalised as of 6 September 2023. It has also been produced solely for the purposes of satisfying the IFPR disclosure requirements.

The disclosures are not subject to audit and do not constitute any form of audited financial statement. Therefore, the information set out should not be relied upon in making judgments about the Firm.

Frequency of Disclosure

The Firm will review and publish the IFPR disclosures annually on the date on which it publishes its annual financial statements for the prior financial year¹ and will consider making more frequent public disclosures where particular circumstances warrant it. For instance, in the event that a major change to HGPE’s business model (e.g. M&A) has taken place. Each year’s financial statements are drawn up in respect of the period to the prior 31 December.

This document can be accessed on the Firm’s website at Policies & Disclosures.

1.3 UK Consolidation Group

HGPE is part of a larger group of companies that are required to be treated as a consolidated group for the purposes of prudential supervision under MIFIDPRU (the “UK Consolidation

¹ In line with MiFIDPRU 8.1.10R

Group”). The UK Consolidation Group consists of a number of regulated and non-regulated entities that are structured under one parent undertaking, Federated Holdings (UK) II Limited. The parent undertaking is a private limited company incorporated under the laws of England and Wales.

1.4 Recent Significant Changes

From 1 January 2023 the HGPE Executive Committee ('ExCo') was renamed as the HGPE Governing Body. The composition changed from nine members in the ExCo to four members in the Governing Body, all of which were previous members of the ExCo. At the same time, the Remuneration Committee, Private Equity Management Committee, and the Infrastructure Management Committee of the LLP were dissolved and resolution passed that the Governing Body be authorised to act as the remuneration committee of the LLP going forwards. In addition to overseeing the operations of HGPE and being responsible for strategy and decision-making, the Governing Body will also sit as the Remuneration Committee for HGPE when required.

2. Governance Arrangements

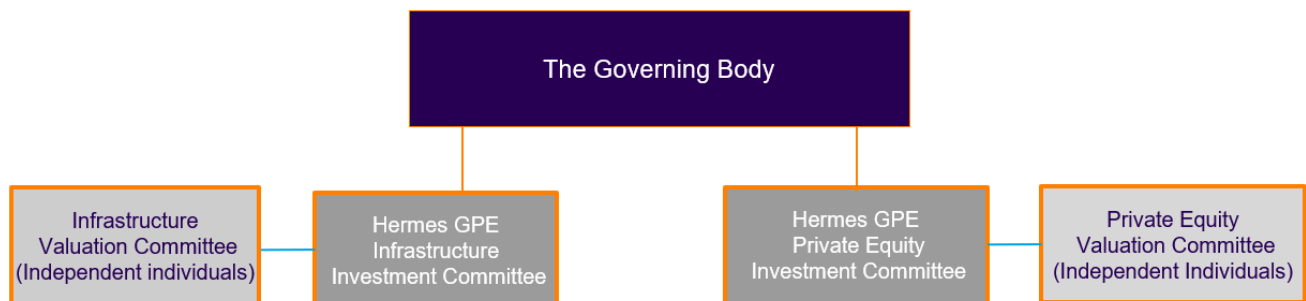
2.1 Board of Directors and Governance Committees

The membership of the Governing Body comprises: Chief Regulatory Officer and Head of Government Affairs (Chair), Managing Director - Private Markets, President, Administration of Federated Services Company, and Vice Chairman of Federated Hermes, Inc. The Governing Body meets at least quarterly and has ultimate responsibility for the management of HGPE.

The table below details the Governing Body members and their role, as well as the directorships held. It excludes directorships held in organisations which do not pursue predominantly commercial objectives (e.g. charitable organisations) and directorships of entities within the FHL Group.

Hermes GPE LLP Governing Body		
Name	Role	Number of directorships (Excluding excepted appointments)
Greg Dulski	FHL Chief Regulatory Officer and Head of Government Affairs	0
Steve McGoohan	Managing Director, Private Markets	0
Ted Zierden	Representative from institutional member	1
Gordon Ceresino	Representative from institutional member	1

HGPE Governance



2.2 Culture and Diversity

Culture is a strategic priority of the FHL and subsidiary Boards, which recognise the importance in the way the Firm conducts business. Alongside FHL’s code of business conduct and ethics, the culture framework includes principles and values that define how business should be conducted in order to achieve strategic objectives and support FHL’s long-term resiliency and sustainability. Its components also promote sound risk management by requiring a focus on longer-term goals and sustainability, the avoidance of excessive risk taking and emphasising acceptable behaviours, in which all employees play a key role and for which they are responsible.

Diversity Policy

FHL has a statement relating to diversity on its Board. The statement's objectives are both to satisfy the legal and regulatory requirements relevant to issues of diversity, and to demonstrate FHL's commitment to promoting Board diversity. The statement recognises that diversity leads to a broader range of experience, knowledge, skills, and values, and that this will help to enhance the functioning of the Board and reduce risks from 'group-think', facilitating constructive challenge and sound decision making. The statement also states that the Board will ensure that individuals are selected, promoted, and otherwise treated according to their relevant individual abilities and merits. The statement notes that one of the factors that FHL designated members and its Board take into account when considering appointments is whether the Board is diverse with respect to education, professional background, socio-economic background and the Equality Act 2010 Protected Characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation) There are no numerical targets in the statement relating to diverse Board members for subsidiary Boards, however, targets do exist for the FHL Board.

Further information regarding FHL's DE&I approach can be found on FHL's website at Diversity, equity and inclusion.

3. Risk Management Framework

3.1 System of Risk Governance

The Governing Body meets at least quarterly and has ultimate responsibility for the management of HGPE. Its responsibilities include strategy, business planning, risk management and control, and the oversight and approval of the ICARA process and these disclosures on at least an annual basis. There are a number of policies that are communicated throughout the business and the Governing Body has overall responsibility for approving and ensuring compliance with those policies.

Although HGPE is not required to establish a risk committee under MIFIDPRU 7.3.1, the Governing Body is assisted in the performance of its responsibilities with respect to the oversight and management of risk by a number of designated sub-committees that act under and subject to the overall authority of the Governing Body.

For Investment Risk, responsibility is delegated by the Governing Body to the Private Equity and Infrastructure Investment Committees ('PEIC' and 'IIC'). which are subject to internal audit review and assurance. Each Investment Committee has a corresponding Valuation committee. In order to carry out its portfolio and risk review, the respective investment committee meets quarterly and also convenes on an ad hoc basis when necessary. Second line oversight is covered through attendance at the Governing Body, which the Investment Committees report into.

Utilising the Expertise of FHL and its specialised risk committees

Further to HGPE's governance structure described above, the Governing Body leverages the established governance structure of FHL. HGPE's ability to utilise several of FHL's specialised risk committees and its senior management team ("SMT") presents a significant advantage in building and maintaining effective risk management, oversight and risk governance. By leveraging FHL's committees HGPE gains access to a wealth of expertise and diverse perspectives across a wider range of risk areas. collectively cover a wide range of risk areas. This not only strengthens HGPE's risk management capabilities but also demonstrates its commitment to robust governance practices.

3.2 Risk Management Framework

HGPE's RMF provides an overview of the risk management system within HGPE and forms part of the overall system of governance. The framework describes the approach, arrangements and standards for risk management that support compliance with statutory and regulatory requirements that apply to HGPE and its subsidiary businesses. The RMF outlines the principles for the taking and management of risk and meets and supports HGPE's compliance with regulatory standards. This is achieved through:

- Describing the approach to risk management and the principles for taking and managing risk;
- Outlining the governance structure and apportionment of accountability by which HGPE operates;
- Providing a common risk language through the FHL-level Risk Taxonomy which ensures consistency and common understanding of firm-wide risks;
- Providing a reference point when considering risks, by defining risk management principles, risk appetite, risk categorisation, risk policies, risk culture and risk management cycle that apply to HGPE;
- Outlining key processes for risk management and internal control that support compliance with relevant client, statutory, regulatory and shareholder requirements; and

- Promoting a responsible risk culture across the firm, supported by the recruitment and training of individuals to ensure the capabilities and behaviours needed to develop and control the business are in place.

Together with the suite of enterprise-wide Risk Policies and Standards, the RMF provides a disciplined and structured process for identifying, assessing, controlling, and monitoring of risks across HGPE. The risks to which the firm is exposed as a result of its business strategy are managed through the RMF, which is reviewed and approved by the HGPE Governing Body at least annually. It is also supported by other policies and procedures as appropriate to meet all legal and regulatory requirements.

Risk Management Principles

The risk management principles defining the risk and control governance within HGPE are as follows:

1. Organisational structure – HGPE maintains an appropriate and transparent organisational structure with clear allocation of responsibilities and delegated authorities;
3. Three Lines of Defence Model² – HGPE’s approach to risk management is consistent with the ‘three lines of defence’ model, ensuring appropriate segregation of duties, oversight and challenge occurs on material decision making, in line with Senior Manager and Certification Regime (SMCR) accountabilities;
4. Risk Appetite Framework – The Governing Body owns and approves risk appetite statements and limits that inform decision making, reflect the business model and materiality being taken into account. Risk appetite is approved by the Governing Body via the Internal Capital Adequacy and Risk Assessment process;
5. Risk Management Cycle – HGPE operates an effective risk management cycle to identify, measure, manage, respond, monitor, and report on risks on an on-going basis;
6. Policies and Procedures – HGPE maintains policies and procedures to facilitate the implementation and monitoring of the requirements in the RMF and meet internal, legal, and regulatory requirements for risk management across the business;
7. Risk Culture – HGPE has a risk culture that promotes appropriate conduct and deploys adequate and appropriate training, skills, and resources in respect of risk management.

3.3 Risk Appetite

HGPE’s Risk Appetite Framework (“RAF”) consists of a core set of qualitative statements that outline how much risk the firm is willing to take to achieve its strategic objectives. This approach recognizes that effective risk management extends beyond mitigating risks and threats, but also leverages calculated risk-taking to seize opportunities and drive growth, while staying resilient in a changing business environment.

² The Three Lines of Defence Model is a risk management structure designed to enhance organisational resilience. The First Line business functions identify and manage risks and harms and is overseen by the Second Line Risk, Compliance and Financial Crime functions. The Second Line is structurally independent of the first line, providing risk oversight, advice, and challenge. Internal Audit acts as the Third Line to independently audit the design and effectiveness of internal controls, including the risk management system. This delineated approach ensures a robust system for identifying, assessing, and mitigating risks, promoting effective governance, and safeguarding HGPE’s objectives and stakeholder interests.

Given HGPE operates within the regulatory regime of the FCA, Own Funds and Liquidity solvency calculations are fundamental components of the RAF. These financial metrics provide crucial insights into HGPE's capital adequacy and ability to meet its financial obligations under various stress scenarios.

From a non-financial risk perspective, the effective management of FHL's shared business services is essential for maintaining HGPE's operational efficiency, cost-effectiveness, and overall operational resilience. As such, Key Risk Indicators for shared services also form key metrics within HGPE's RAF.

3.4 Potential for Harm and Mitigation

HGPE carries out an ICARA process and documents the results, in order to identify and manage potential material harms that may arise from its business activities, and to ensure that its operations can be wound down in an orderly manner. In conducting the ICARA, HGPE identified the following risks that can cause potential material harm to clients, itself, and the market.

Financial Risks: Market, Credit and Liquidity

- Market Risk:* Market risk is the risk that the value of HGPE's assets or liabilities will fluctuate as a result of movements in factors such as valuations, interest rates and foreign exchange ("FX") rates. Given HGPE does not trade on its own account, it does not have any significant market risk exposure. The main source of market risk is certain budgeted revenues, which are linked to Net Asset Values (NAVs) of underlying funds and are influenced by a number of external factors. To mitigate this market risk, HGPE offers a diversified and broad product range which provides clients with solutions tailored to a variety of market conditions and serves to diversify individual market dependencies.
- Credit/Counterparty risk:* Counterparty risk, a type of credit risk, is the probability that a counterparty to a transaction defaults on its contractual obligation(s) causing the other counterparty to suffer a loss. HGPE acts as agent on behalf of its clients in dealing with market counterparties, and as such does not incur any credit risk to its own balance sheet or Own Funds in relation to market trading activities. However, HGPE is exposed to credit risk relating to its own cash, specifically exposure to banks where deposits are held and into which accounts fees from clients are received. HGPE's credit risk is mitigated through the monitoring of exposure to individual counterparties and their creditworthiness. HGPE will only hold deposits with highly rated counterparties of at least an A rating.
- Liquidity risk:* HGPE's liquidity risk arises from the need to have sufficient liquid assets to meet financial obligations as they fall due, considered under both business-as-usual and stressed conditions. Liquidity risk is managed at the Governing Body level. HGPE has a liquidity strategy, policy, management, and governance process which is applicable to its business. HGPE's liquidity risk management strategy is to identify, assess, manage, and control liquidity risk appropriately. This strategy ensures that all foreseeable financial commitments can be met as they fall due, and that, if necessary, access to funding is available and cost-effective. HGPE maintains a portfolio of highly liquid assets comprising cash held in current accounts and money market funds, both of which have daily liquidity. This enables the Firm to respond quickly and effectively to meet commitments, both expected and unforeseen. The level of liquidity is monitored to ensure that it always falls above the highest of the Firm's liquidity requirements.

Non-Financial Risks: Operational and Regulatory

Non-financial risks were identified and assessed using a combination of bottom-up aggregation of business-owned Risk and Control Self-Assessments ("RCSAs") along with a 'top-down' overlay with FHL's 'top risks.

Furthermore, senior management in FHL and HGPE business functions participated and self-assessed the risks via a series of Scenario Workshops. The workshops took into account HGPE's future business and risk profile; as well as each risk's overall control status and residual risk exposure, including potential material harms to clients, the firm, or markets. The risks were then subject to review by the Risk, Compliance & Financial Crime Executive Committee.

The key sources of operational and regulatory risks affecting HGPE, which currently form the basis of the non-financial risk and harm scenario capital calculations include:

- Inadequate or failed internal and external processes (e.g. information security / data protection breach, third-party service disruption and transformation risk e.g. business change projects); and
- Significant regulatory or governance breaches with reputational impacts (e.g. proceeds of financial crime invested in a HGPE product and payment fraud or error).

Risk Mitigation

The table below summarises the main non-financial risks and associated risk mitigants in place within the business:

Risk Category	Harm Identified	Mitigation
Operational Risks	Information security / data protection breach	The Firm conducts regular cyber security training for employees, stringent access controls, encryption measures, continuous monitoring, and the adoption of technology to reinforce defences. Additionally, a comprehensive incident response plan is in place to promptly address and contain any breaches, ensuring minimal impact on sensitive data.
	Third party service disruption	The Firm relies on robust technology and skilled professional to maintain its infrastructure, complemented by IT investments. Regularly tested disaster recovery plans and tested contingency plans contribute to this resilience. For enhanced information security, the Firm maintains service level agreements with relevant third-party providers.
	Transformation Change	The Firm employs a structured change management process that emphasises the need from strong project management governance, communication, stakeholder engagement and impact assessments. Monitoring, reporting mechanisms, and cross-functional collaboration ensures alignment and minimises disruption. Strong leadership oversight and FHL Risk being embedded in material programmes guarantees that transformation efforts are guided by well-defined strategies, reducing potential negative impacts, and enhancing the success of change initiatives.

Risk Category	Harm Identified	Mitigation
Regulatory and Financial Crime Risks	Financial Crime (product related)	Internal fraud controls are robust, involving segregation of roles, payment oversight, independent approvals, and senior management vigilance. Automated and manual pre and post trade checks are conducted. Effective processes manage and mitigate internal and external crime risks. The fraud management risk assessment process will see further improvement within the financial crime business risk assessment, aligned with recommendations from the internal audit review of financial crime AML/KYC.
	Payment Fraud/Error	

4. Capital Adequacy

4.1 Own Funds Resources

The figures in this section are based on the Firm's most recent audited financial position as of 31 December 2023.

As of 31 December 2023, the Firm held own funds of £20.9m, entirely made up of Common Equity Tier 1 ('CET 1') capital and includes members' capital and audited profit and loss reserves, satisfying all criteria for a CET 1 instrument in accordance with IFPR. As of 31 December 2023, the Firm's own funds requirement is £6.4m with an own funds surplus of £14.5m. The Governing Body has concluded that the Firm is well capitalised and holds significant levels of liquidity.

The composition and features of the Firm's own funds are described in the table below, which also provides a reconciliation with the balance sheet in the Firm's audited financial statements as of 31 December 2023.

Composition of regulatory own funds			
	Item	Amount (£'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	20,855	Total Members' Interest
2	TIER 1 CAPITAL	20,855	Total Members' Interest
3	COMMON EQUITY TIER 1 CAPITAL	20,855	Total Members' Interest
4	Fully paid up capital instruments	5,000	Members' capital classified as equity
5	Share premium	-	n/a
6	Retained earnings	15,855	Members' other interest – reserves classified as equity
7	Accumulated other comprehensive income	-	n/a
8	Other reserves	-	n/a
9	Adjustments to CET1 due to prudential filters	-	n/a
10	Other funds	-	n/a
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	n/a
19	CET1: Other capital elements, deductions and adjustments	-	n/a
20	ADDITIONAL TIER 1 CAPITAL	-	n/a
21	Fully paid up, directly issued capital instruments	-	n/a
22	Share premium	-	n/a

23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	n/a
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	n/a
25	TIER 2 CAPITAL	-	n/a
26	Fully paid up, directly issued capital instruments	-	n/a
27	Share premium	-	n/a
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	n/a
29	Tier 2: Other capital elements, deductions and adjustments	-	n/a

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published /audited financial statements. £'000	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investments in subsidiaries	181	n/a	
2	Debtors falling due in more than one year	695	n/a	
3	Debtors falling due within one year	9,906	n/a	
4	Cash and cash equivalents	27,321	n/a	
5	Total Assets	38,103	n/a	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
6	Creditors falling due within one year	16,019	n/a	
7	Creditors falling due after more than one year	1,229	n/a	
8	Total Liabilities	17,248	n/a	
Members' Interests				
9	Members' capital classified as equity	5,000	n/a	Item 4
10	Member' other interests	15,855	n/a	Item 6

	reserves classified as equity			
11	Total Members' interests	20,855	n/a	Item 1
<p>Own Funds: main features of own instruments issued by the firm Members capital classified as equity. The capital in the Capital Account of each of the Economic Members of the LLP is intended by the Members to be treated by the FCA as regulatory own funds and as eligible capital instruments. No Member shall be entitled at any time to withdraw or shall be repaid their capital contribution unless: a new or existing Member contributes an amount in aggregate which shall ensure that the LLP can satisfy the relevant FCA minimum regulatory own funds requirement; the LLP is wound up or placed into liquidation; or the LLP ceases to be authorised by the FCA. Based on the above, members' capital is classified as equity.</p>				

4.2 Own Funds Requirements

It is HGPE's policy to maintain sufficient own funds to meet its own funds requirement and ongoing working capital requirements. This enables the Firm to mitigate potential future risk exposures that may arise in pursuit of achieving its strategic objectives.

Under the Overall Financial Adequacy Rule, the Firm is required to maintain own funds in excess of the higher of:

- Its permanent minimum capital requirement.
- The higher of its fixed overheads requirement and the amount required to effect an orderly wind down of the Firm; and
- Its K-factor requirement plus any amounts required to mitigate the risk of harm arising as a result of the Firm's ongoing operations.

HGPE's financial position as of 31 December 2023 results in an own funds requirement of £6.4m.

HGPE's fixed overhead requirement, as of 31 December 2023, was £6.4m.

HGPE's K-factor requirement is the sum of all applicable individual K-factors. However, as at the reference date, 31 December 2023, the only applicable K-factor was K-AUM, which was calculated as £1.1m.

Own Funds requirement on 31 December 2023	Total £'000
K-AUM, K-CMH and K-ASA	1,145
K-DTF and K-COH	-
K-NPR, K-CMG, K-TCD and K-CON	-
Total K-factor requirement	1,145
Fixed overhead requirement	6,382
Own Funds requirement on 31 December 2023	6,382

4.3 Internal Capital Adequacy and Risk Assessment

The Governing Body has, through the ICARA process, considered the level of own funds and liquid resources that the Firm needs to hold to remain financially viable throughout the economic cycle and be able to:

- Address any material potential harm that may result from ongoing activities, and
- Ensure that the Firm's business could be wound down in an orderly manner, minimising harm to clients and to other market participants. This is known as the overall financial adequacy rule.

In addressing this rule, the Firm has considered what the residual harm is, when severe financial and non-financial scenarios posing harm crystallise, by assessing how effective the mitigating controls are likely to be in reducing or eradicating the inherent harm. Subsequently, management and the Governing Body confirmed that the identified scenarios were reflective of the activities of the Firm, and that they provided a suitably robust assessment of relevant harms in connection with the overall financial adequacy rule.

As part of the complete assessment of potential harms, the Firm also separately identified potential financial/balance sheet harms resulting from market risk (i.e., the risk that the value of assets and liabilities will fluctuate, for example as a result of changes in foreign exchange rates) and credit risk (i.e., the risk of loss arising from the default of a counterparty).

The Firm assessed in detail the cost of an orderly wind down of its operations and cancellation of its regulatory permissions as part of its ICARA. For this purpose, the Firm has assumed that the event that causes the firm to wind down is severe, and that it would take a period of 18 months to undertake an orderly wind down given the organisational structure and client base at HGPE, and as such that the impact on the Firm's cash flow would be over an 18-month period. Impact on the Firm's cash flow has been assessed based on anticipated revenues, cost savings, incurred costs of winding down the business and other costs. Assumptions have been made for the purpose of calculating the wind-down costs. These include an expectation that all revenue streams would be heavily impacted from the first month, whilst all expenses would continue to be paid in that month and would remain broadly unchanged during months two and three but would decline after that to a point where only fixed costs were being met and discretionary expenditure ceases. The Firm's assessment also assumes that fund-related expenditure would decline in line with fund income as redemption requests are satisfied, and that fixed costs would be further reduced after month three as some contracts could be terminated at that stage.

The ICARA is a business-as-usual process within the Firm, with the Governing Body involved in ongoing discussions and challenge. The Firm will formally review its ICARA process on an annual basis, or more frequently should a material change in the Firm's business model or operating model arise.

5. Remuneration Policies and Practices

5.1 Summary of the Firm's Approach to Remuneration for all Staff

Participation in any incentive plan is discretionary and individual participation is based on their contribution to both financial and non-financial measures. Financial measures include profitability, liquidity, capital adequacy and margin. Non-financial measures include demonstration of corporate behaviours, and successfully delivering agreed objectives which are used to adjust the overall discretionary bonus awarded up or down. In addition to individual contribution, consideration is given to group performance, compliance with regulatory requirements, team performance and market factors. Variable compensation driven by financial performance is reviewed against behaviours (conduct, risk, and compliance) and non-financial criteria (both current and future) to assess whether these remain appropriate.

Below sets out a high-level description of our approach to measuring the performance of individuals including both financial and non-financial metrics, and explains how this assessment influences an individual's remuneration:

- The Performance Management Process requires all managers to review the performance and behaviours of their employees and to assign a rating to reflect their contribution throughout the year. The rating scale is 1-4 for performance and A-D for behaviour; A1 being highest. Both performance and behaviour are equally weighted;
- All roles are benchmarked against the market to ensure that their remuneration is comparable; and
- A rigorous review is undertaken to ensure a strong correlation between positive assessments and positive remuneration outcomes; and negative assessments and negative remuneration outcomes.

Throughout the different remuneration processes, there are layers of signoff and review with HR and the HGPE Governing Body. The elements of compensation support the objectives – balancing risk with reward; and these discussions are underpinned by a robust assessment process; which is done on an individual, team and company-wide basis.

5.2 Summary of the Objectives of the Firm's Financial Incentives

HGPE ensures that remuneration policies are in line with business strategy, objectives, values, and long-term interests on the following basis:

- To encourage employees to deliver on the business' purpose of sustainable wealth creation that enriches investors, society, and the environment.
- To be aligned with business strategy, objectives, values and the long-term interests of the LLP and its clients as reflected in the FHL Pledge.
- To provide competitive total remuneration potential, designed to attract, retain, motivate, and reward employees to deliver outstanding long-term performance and corporate behaviours.
- To promote sound and effective risk management.
- To ensure remuneration is linked to investment, business and personal performance and corporate behaviours for all employees, and where appropriate measured over the short, medium, and long term.

- To differentiate and reward strong performance and demonstration of behaviours and to proactively manage poor performance and behaviours not aligned to our values.
- To deliver reward programmes which are transparent, simple to administer and affordable; and
- To deliver compensation and benefit strategies which have the oversight and approval of the HGPE Governing Body.

Employees are eligible to receive remuneration in the following methods:

Fixed Remuneration

Fixed remuneration applies to all employees and includes salary, retirement, and other benefits. The LLP aims to provide competitive fixed pay at a level that reflects market compensation for the role and supports the recruitment and retention of talented people required to deliver the business strategy. Retirement and other corporate benefits apply to all employees.

Variable Remuneration

Discretionary Annual Cash Bonus: The aim of the discretionary bonus scheme is to focus participants (all employees employed by 1 October in the given performance year, unless previously agreed) on the in-year results that need to be achieved to meet the business annual objectives in the context of the agreed strategy and demonstration of corporate behaviours.

Long-Term Incentive Plan (LTIP): The Long Term Incentive Plan offers selected employees the chance to acquire beneficial ownership of ordinary shares in Federated Hermes. The aim of the LTIP is to align these employees with the long-term interest of our clients and shareholder and incentivise the delivery of Federated Hermes, Inc's long-term strategy. Awards under this scheme fully vest after five years and pay-out in full after a further 3 years. LTIP awards are subject to malus and clawback.

Carried Interest: There are funds/products managed by the LLP which incorporate carried interest plans. These arrangements allow for the LLP and individual employees to participate in the financial gain of an underlying fund or product based on financial metrics documented in the relevant fund agreements. Such plans are present to increase the long term alignment between the fund investor, the LLP, and the individuals responsible for the management of the fund.

Other Forms of Remuneration

The following components of remuneration, all variable in nature, are awarded only in particular, circumstances:

Guaranteed Variable Remuneration: In limited and exceptional circumstances and only in the first year of employment, reliant on the LLP having a sound capital base and, where permitted under MIFIDPRU, the LLP may agree to make an award of guaranteed variable remuneration in line with the Code.

Replacement awards: Replacement awards (or buy-outs) are not the LLP's standard compensation practice; however, on the occasions where a replacement award is considered, the LLP will take steps to determine an appropriate amount. Replacement awards have the same and no more generous terms (including in relation to the amounts and vesting schedule) than the previous employer and they are subject to malus and clawback.

Retention awards: Retention awards are used in limited and exceptional circumstances, reliant on the LLP having a sound capital base and, where permitted by the Code. Retention awards are paid at a specified time, as agreed prior to the issue of any award, and are subject to meeting the specified retention criteria and are subject to malus and clawback.

Severance pay: If any individual’s employment contract is terminated early, when making any payment in severance of that contract, the HGPE Governing Body is mindful that such payment reflects performance achieved over time and that it does not reward failure or misconduct. Any payments in the event of termination takes account of the individual circumstances, including the reason for termination, any contractual obligations (notice period) and the rules of the applicable incentive plan and pension scheme rules. Benefits may also be provided in connection with termination of employment and may include but are not limited to, outplacement and legal fees and payments in respect of accrued holiday. The HGPE Governing Body retains discretion to alter the provisions contained in the relevant plan rules on a case-by-case basis, following a review of the circumstances to ensure fairness. Under certain circumstances, it may be appropriate to enter into a legally binding agreement when an individual’s employment is terminated.

The HGPE Governing Body has oversight over all other forms of remuneration in accordance with its Terms of Reference.

5.3 Summary of the Decision-Making Procedures and Governance Surrounding the Development of the Remuneration Policies and Practices

The Governing Body is formed of members of the Senior Management, one of whom acts as the chair.

5.4 Types of Staff Identified as Material Risk Takers

Material Risk Takers (“MRTs”) may be employed by or considered employees of other entities, including other entities within the Group.

HGPE maintains a framework for the identification of MRTs which is reviewed annually by Compliance. Broadly MRTs can be interpreted to mean:

- Members of the Governing Body and Senior Management
- Employees responsible for risk management and compliance functions
- Employees whose professional activities can exert material influence on the risk profile of the LLP.

HGPE has undertaken a comprehensive review to identify those persons which it considers to be MRTs for the purposes of the Code. In doing so, consideration has been given to all employees who have a material impact on HGPE’s risk profile, including any employee who performs a significant influence function, or a Senior Manager Function under the Senior Managers & Certification Regime (“SMCR”) for HGPE, senior managers, and other risk takers. In seeking to identify MRTs, consideration has also been given to those employees that might exercise significant influence in relation to any material risks identified in HGPE’s ICARA. This includes voting members of key risk and investment committees.

Once the list is established, it is reviewed by the Chief Regulatory Officer & Head of Government Affairs following which it is presented to the HGPE Governing Body for approval showing changes to the previous year. 14 MRTS and Senior Management employees were identified and notified of their status in 2023.

5.5 Key Characteristics of HGPE's Remuneration Policies and Practices

We ensure that remuneration decisions take into account the implications for risk and risk management of the firm, on the following basis.

The Heads of Legal, Risk & Compliance and Internal Audit provide the Risk, Compliance & Financial Crime Executive with regular updates on any errors or breaches that may have occurred throughout the performance period. At the end of the period, the Control Functions are re-engaged by HR to ensure that any errors or breaches have been taken into account for making remuneration decisions. Where appropriate, a report of errors or breaches is provided to the HGPE Governing Body for consideration in remuneration proposals. Variable pay awards (excluding carried interest) are conditional on the LLP achieving sustainable and risk-adjusted (including ex-ante and ex-post adjustments) performance and therefore are subject to forfeiture or reduction at the LLP's discretion. Carried interest is inherently aligned to the risk profile and performance of the relevant fund and outcomes for investors and is subject to malus and clawback where it is awarded to MRTs.

The HGPE Governing Body has the ability to apply discretion to adjust the bonus pool and any individual payments including those paid out in individual incentive schemes. The HGPE Governing Body challenges bonus recommendations and is empowered and charged to approve or not approve recommendations put before them.

Malus and clawback apply to all variable pay awards including carried interest and guaranteed variable remuneration. The HGPE Governing Body will consider the application of malus and / or clawback in situations where the individual has:

- i) participated in or was responsible for conduct which resulted in significant losses to the firm; and/or
- ii) failed to meet appropriate standards of fitness and propriety.

Malus will be applied when, as a minimum:

- There is reasonable evidence of employee misbehaviour or material error.
- The firm or the relevant business unit suffers a material downturn in its financial performance; or
- The firm or the relevant business unit suffers a material failure of risk management.

Clawback will be applied in cases of fraud or other conduct with intent or gross negligence which lead to significant losses. Clawback or malus (as appropriate) applies for a minimum of 3 years from the date the award is granted or the HGPE Governing Body becomes aware of any conduct or circumstances that the HGPE Governing Body determines make it appropriate to make an adjustment to an award.

Prescribed quantitative disclosures under MiFIDPRU8.6.8R

Certain quantitative information regarding remuneration paid to HGPE's employees in respect of the performance year from 1 January 2023 to 31 December 2023 is set out below.

All amounts are in pounds sterling.

As of 31 December 2023, HPGE had 14 MRTs and 4 Senior Managers, assessed on an individual firm basis, as identified pursuant to SYSC 19G.5 for the purposes of applicable remuneration rules.

Table 1 - Quantitative disclosure under MiFIDPRU8.6.8R (2)

Total amount remuneration paid to the entire staff of HGPE	£17,484,560.00
Of which:	
Total fixed remuneration	£9,108,762.00
Total variable remuneration	£8,375,798.00

Table 2 – Quantitative disclosure under MiFIDPRU8.6.8R(4)

I	Total amount of remuneration paid to senior management	£ 2,387,836
	Of which:	
	Total fixed remuneration	£862,702.00
	Total variable remuneration	£ 1,525,134
II	Total amount of remuneration paid to other MRTs	£6,645,753
	Of which:	
	Total fixed remuneration	£2,866,886
	Total variable remuneration	£3,778,868
III	Total amount of remuneration paid to other staff	£8,450,971
	Of which:	
	Total fixed remuneration	£5,379,175
	Total variable remuneration	£3,071,796

Table 3 - Quantitative disclosure under MiFIDPRU8.6.8R(5)

I	Total amount of guaranteed variable remuneration paid to:	0.00
	Senior management	0.00
	Other MRTs	0.00
	Number of beneficiaries	0.00
II	Total amount of severance payments paid to:	
	Senior management	0.00
	Other MRTs	0.00
	Number of beneficiaries	0.00
III	Amount of the highest severance payment paid to an individual MRT	0.00

No guaranteed variable remuneration or severance payments have been made to employees of HGPE during the 2023 performance year.